

Message Text

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71

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

TRSE-00 OMB-01 COME-00 AGR-05 (ISO) W

----- 111911

R 241904Z AUG 76

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 1994

INFO AMEMBASSY BUENOS AIRES

HQ USSOUTHCOM, SCJ2

C O N F I D E N T I A L MONTEVIDEO 3130

E.O. 11652: GDS

TAGS: PGOV, PINT, UY

SUBJ: MORE ON CABINET CRISIS

REF: MONTEVIDEO 3093

1. SUMMARY: IT NOW SEEMS REASONABLY CERTAIN THAT THE RESIGNATION OF MINISTER OF ECONOMY VEGH VILLEGAS HAS BEEN ACCEPTED AND THAT A NEW MINISTER, PROBABLY VEGH'S UNDER SECRETARY, WILL JOIN THE MENDEZ ADMINISTRATION. VEGH'S RESIGNATION WAS PROMPTED BY POLITICAL (SEE PARA 3 REFTEL), RATHER THAN ECONOMIC REASONS. FONMIN BLANCO AND MINAGRICULTURE AZNAREZ REPORTEDLY IDENTIFIED THEMSELVES WITH VEGH'S POSITION BUT DID NOT OFFER THEIR RESIGNATIONS. THEY, AND THE BULK OF THE ECONOMIC TEAM, ARE EXPECTED TO REMAIN IN THE ADMINISTRATION BUT REPORTEDLY NOT FOR AN EXTENDED PERIOD. ALL SENIOR OFFICIALS, CIVILIAN AND MILITARY, WITH WHOM THE VEGH MATTER HAS BEEN DISCUSSED, CLAIM THAT ECONOMIC POLICY WILL NOT CHANGE. END SUMMARY.

2. ALTHOUGH THERE HAS BEEN NEITHER PRESS COMMENT NOR OFFICIAL ANNOUNCEMENT, IT NOW SEEMS AS CLEAR AS IT CAN BE AT THIS POINT THAT THE RESIGNATION OF MINISTER OF ECONOMY VEGH
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VILLEGAS IS A FACT. DESPITE THE LACK OF OFFICIAL

CONFIRMATION, A HOST OF SOURCES INCLUDING A MEMBER OF THE CABINET, A MEMBER OF THE JUNTA DE GENERALES, AND THE GOVERNOR OF MONTEVIDEO, ALL CONFIRM VEGH'S DEPARTURE, PROBABLY AS OF SEPTEMBER 1 WHEN APARICIO MENDEZ ASSUMES THE PRESIDENCY.

3. THE SAME WIDE VARIETY OF SOURCES INDICATE THAT VEGH'S UNDER SECRETARY, VALENTIN ARISMENDI, WILL MOVE UP TO THE MINISTER'S CHAIR. VEGH HAS LONG GROOMED ARISMENDI FOR THE POSITION AND REPORTEDLY URGED HIM TO REMAIN. APPARENTLY, OTHER MEMBERS OF THE ECONOMIC TEAM ALSO WILL REMAIN, AT LEAST FOR A TIME.

4. VEGH'S DIFFERENCES WITH THE GOVERNMENT CENTER ON POLITICAL, NOT ECONOMIC ISSUES (SEE PARA 3 REFTEL). HE CONTINUES, PARTICULARLY, TO OPPOSE THE PROPOSED INSTITUTIONAL ACT NO. 3, WHICH WOULD TAKE POLITICAL RIGHTS AWAY FROM A NUMBER OF POLITICAL FIGURES, AND THE APPARENT LACK OF MOVEMENT TOWARDS POLITICAL LIBERALIZATION. REPORTEDLY, FONMIN BLANCO AND MINAGRICULTURE AZNAREZ IDENTIFIED THEMSELVES WITH VEGH'S POLITICAL POSITION BUT DID NOT OFFER THEIR RESIGNATIONS. HOWEVER, IT IS GENERALLY BELIEVED THAT NEITHER WILL REMAIN IN THE CABINET OVER THE LONG TERM. BLANCO IS RUMORED TO BE NAMED AMBASSADOR AT SOME FUTURE DATE, WITH WASHINGTON MOST COMMONLY MENTIONED. DISCUSSING A HYPOTHETICAL SITUATION, BLANCO RECENTLY TOLD AN EMBOFF THAT HE WOULD PREFER MADRID OR WASHINGTON IF HE WERE TO GO ABROAD.

5. VEGH IS STILL AMONG CANDIDATES FROM WHOM THE NEW COUNCILORS OF STATE ARE TO BE NAMED ON AUGUST 26. WE HAVE CONFLICTING REPORTS AS TO WHETHER HE WILL ACCEPT A SEAT, IF ELECTED. IN ANY CASE, IT NOW SEEMS THAT THE ENTIRE ECONOMIC TEAM AND SOME FELLOW MINISTERS WILL NOT WALK OUT WITH VEGH. FONMIN BLANCO TOLD THE AMBASSADOR ON AUGUST 20 THAT ECONOMIC POLICY WAS NOT AT ISSUE AND RESPONSIBLE GOVERNMENT FIGURES, BOTH CIVILIAN AND MILITARY, ASSURE US THAT GOU ECONOMIC POLICY WILL NOT CHANGE. WHILE THIS MAY BE THEIR INTENTION, CONFIDENTIAL

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SOME CHANGE IS LIKELY OVER TIME AS SOME OF THE LEADING OPPONENTS TO VEGH'S ECONOMIC LIBERALISM AND ANTI-PROTECTIONISM, PARTICULARLY GENERALS ALVAREZ AND RAIMUNDEZ, REMAIN IN A STRONGER POSITION SIMPLY BECAUSE THE KNOWLEDGEABLE, ARTICULATE, AND WIDELY-RESPECTED ALEJANDRO VEGH VILLEGAS WILL NOT BE THERE TO OPPOSE THEM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, ECONOMIC PROGRAMS, PERSONNEL RESIGNATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MONTEV03130
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760324-0035
From: MONTEVIDEO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760826/aaaaavrq.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 MONTEVIDEO 3093
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2004 by MartinML>; APPROVED <07 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MORE ON CABINET CRISIS
TAGS: PGOV, PINT, UY, (VEGH VILLEGAS, ALEJANDRO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006